

UK ECONOMY: RECESSION THREAT PERSISTS

VICTORIYA VOLOBUEVA, Student

OKSANA M. TARABANOVSKA, Senior teacher, Language Adviser

O. M. Beketov National University of Urban Economy in Kharkiv

By mid-2013 the British economy was not able to completely overcome the consequences of the financial and economic crisis. In these circumstances, the government, while maintaining the policy of financial stabilization as a whole, increasingly resorts to stimulating economic growth. At the same time, there is a growing awareness that the solution of the problems facing the country is impossible without the modernization of the structure of the economy and its institutions, the introduction of innovations.

At present, the British economy is experiencing complex and ambiguous processes. The way out of the crisis, the deepest in the post-war period (in 2008–2009 GDP fell by 6.3%), was protracted.

Why is the British economy recovering so slowly? There are several reasons for this.

1. The special situation of the country in the world economy. British business is deeper integrated into international production than the leading states of the euro area and Japan. The decline in business activity in the global economy – and this is the period we are currently experiencing – immediately affects the state of the UK economy, causing its braking.

2. Economic susceptibility to credit crises in other countries and regions of the world, due to the outstanding role of the City of London in the world financial system. Credits of the British banks of Ireland, Spain, Italy and Greece in 2012 amounted to 250 billion pounds – 14.7% of the UK's GDP.

3. Features of the development model – the British version of the Anglo-Saxon model. First of all, the debt character of the economy is affected. Since 2001, the volume of loans issued in the UK has increased rapidly, especially through consumer lending. The fact is that consumption in the country exceeds production, household and state spending, as a rule, more income, investment – more savings. Imports exceed exports, for the UK, the balance of payments deficit is typical for current operations. According to the professor of Oxford University D. Helm, the country in the 2000s lived beyond its means. In 2012, savings accounted for 12.1% of GDP, investments – 14.7%, balance of payments deficit – 4.0%, budget deficit – 6.9%. To finance increased government spending, the government increased borrowing. The ratio of net public debt to GDP increased from 37% in 2007 to almost 70% in 2012. According to the forecasts of the Office of Budget Responsibility, this indicator will continue to grow until 2015. Gross debt, taking into account the debt of the population, exceeded 500% of GDP. It is largely financed by external borrowing.

The regulating role of the state in Great Britain is less than on the continent. Moreover, in recent decades, the further deregulation of the economy has become a

characteristic feature of British economic policy. This process has gone especially far in the sphere of finance. The stability of financial institutions that provide investment of savings has stagnated. Inadequate management of risks and financial flows led to a general crisis of confidence, which ultimately turned into a financial crisis, and then a curtailment of production.

The most important feature of the structure of the UK economy is that the spheres of circulation and services play a greater role in creating GDP and employment than in most European countries. In 2011, the share of these areas in the UK's GDP was 77.1%, while in the EU as a whole – 70.5%. It should also be noted that in recent years, the process of the financialization of the economy has been developing rapidly in the UK, i. e hypertrophic expansion of the financial and credit sphere. The securities market, more developed than on the European continent, created its own, artificial reality. More and more complex financial instruments have appeared, primarily derivatives – instruments of the financial market, whose price is determined by the price of the asset underlying them (futures, forwards, options, swaps, hybrid instruments and securities). There was a swelling and complication of the credit superstructure. The financial depth of the economy increased - in 2010 the value of financial assets relative to GDP exceeded 540%. The growth of trade operations of banks and expansion of lending led to "inflation" of the balance sheets of British banks. Financial operations were increasingly isolated from both commodity production and trade, developing autonomously according to their own rules.

The course on modernization of the economy

Recently, the economic policy of the UK has gradually shifted the emphasis – from anti-crisis measures to the solution of long-term strategic tasks of a modernization nature.

First, we are talking about the re-industrialization of the economy, of course, on a new technological basis. In this regard, the so-called British dilemma is widely discussed in the country, the essence of which is to change the balance in favor of the real sector.

The financial industry is more important for the UK than for other European countries: its share in the UK GDP is 8.5% compared to 5% in the euro area. By its size, it is second only to the United States and Japan. Another 3% of GDP is created in the sphere of business services, closely related to finance – audit, accounting, legal, consulting, etc. The financial sector ensures that a quarter of the corporate tax is paid to the budget. Infringement of the interests of this sector can cause significant damage to the economy and undermine Britain's position in the world.

The most important importance is attached to the promotion of innovative development. The priorities of scientific and technical development of the country are being developed. At present, they include new materials, medical technologies and health care, creative and digital economy, advanced energy, electronics and nanoelectronics, transportation, information and communication technologies, protection of communication infrastructure, biotechnology, intelligent management

systems, rational use of natural resources. 2011. the government has allocated more than £ 200 million to create a network of technology and innovation centers for the development of high-tech industries. is still focused on stimulating small businesses. The ambitious goal is set: to increase the export by half to 1 trillion pounds by 2020. To solve this problem, it is proposed to expand financial opportunities and intensify the activities of the Export Credit Guarantee Department. Assistance is provided for the entry of small and medium-sized firms into the foreign market. A more favorable economic climate for foreign direct investment is being created. Considerable attention is paid to attracting funds from sovereign funds of developing countries, in particular, China.

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BUSINESS COMPETITIVENESS

VIKTORIYA ZHYROVA, student

LIUDMYLA N. HUK, Senior Teacher, Language Adviser

O. M. Beketov National University of Urban Economy in Kharkiv

Securing national business competitive power is the problem which both business representatives and government authorities are in search of the solution to. First and foremost companies tend to consolidate their positions and secure competitive edges of their products and their concrete enterprise. However in case of potential or real threat to their competitive ability concerns the interests of the whole branch, the companies often pass to industry-wide level and work out corporate actions in order to consolidate the positions of the whole economy sector. Speaking of a national competitive ability of a state, first and foremost, means competitive ability of national economy in whole, understanding that for that end there is a need for competitive branches, enterprises and products.

The term "competitive ability" during the last 20 years became rather actual because a great number of new states entered the circle of the world economy so economical competition among countries has strengthened. Revelation of national markets, lowering of trade barriers, globalization and internationalization processes